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IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

In re the U.S. Application of

Charles B. KATZ et al.

Group Art Unit: 2765

U.S. Serial No. 08/914,789

Examiner: Marsh, P.

Filed: August 20, 1997

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Group 2700

For: METHOD AND SYSTEM FOR PERFORMING CRA, HMDA, AND FAIR
LENDING ANALYSIS AND REPORTING FOR A FINANCIAL INSTITUTION (As
Amended)

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Assistant Commissioner For Patents
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APPEAL BRIEF



Sir:

This is an Appeal Brief under 37 C.F.R. § 1.192 in connection with the decision of the Examiner mailed on June 18, 1999. Each of the topics required by Rule 192 is presented herewith and is labeled appropriately.

(1) Real Party In Interest

The real party in interest is Citibank, N.A.

(2) Related Appeals and Interferences

There are no other appeals or interferences related to this case.

(3) Status of Claims

Claims 1-22 are pending and are currently under appeal.

(4) Status of Amendments

No amendment after Final has been filed.

(5) Summary of the Invention

The present invention is a method and system for collecting, standardizing, and analyzing lending data from all the offices of a financial institution (e.g., see spec. pg. 4, ll. 26-30), including information on small business, home equity, motor vehicle, credit card, mortgage, other secured and unsecured consumer products for commercial, community development, not-for-profit, and consortium customers. (e.g., see spec. pg. 10, l. 31 through pg. 11, l. 3). The invention enables data collection and analysis in a timely fashion such that interim reports may be prepared so that changes in lending practices can be implemented to assist with assuring compliance with the fair lending acts. (e.g., see spec. pg. 5, ll. 27-30 through pg. 6, l. 1). A central repository is linked to all of the offices of the financial institution, and data mapping features are used to provide standardized reporting so that all data will be reported in a standardized form. (e.g., see spec. pg. 6, ll. 25-31). The system processes, collects and standardizes information on new loans, renewals, credit line increases and application decisions for all of the business units within a financial institution. (e.g., see spec. pg. 10, ll. 28-30). The present invention permits internal management reporting for review of performances against the CRA and HMDA plans. (e.g., see spec. pg. 9, ll. 17-18). It also permits preparation of the

reports for filing with the federal regulatory agencies, such as OCC, FRS and OTS. (e.g., see spec. pg. 6, ll. 21-24). Furthermore, the present invention permits rapid response to federal regulatory agency audits of reported CRA and HMDA information. (e.g., see spec. pg. 6, ll. 12-14).

(6) Issues

A) Whether claims 1-22 are properly rejected under 35 U.S.C. § 103 as being unpatentable over Zoffel et al. in view of Prince, and CFI.

B) Whether claims 1-10 are properly rejected under 35 U.S.C. § 101 as being directed to non-statutory subject matter.

(7) Grouping of Claims

Claims 1-22 are to be considered in a single group.

(8) Argument

A) Claims 1-22 are Patentable Under 35 U.S.C. § 103 Over Zoffel et al. in View of Prince and CFI.

Zoffel et al. Do Not Teach or Suggest Extracting Financial Regulatory Data

Some of the claims recite the limitation of “extracting data relative to the fair lending laws from a plurality of sources.” The Examiner alleges that this limitation is met by language in the abstract of Zoffel et al. It is respectfully submitted that Zoffel et al. teach the preparation of individual credit reports in col. 1, lines 6-10, lines 33-64 and col. 3, lines 41-47. An individual’s credit report is based, in general, on two factors; the individual’s income and the individual’s

expenses. This data is indicative of the relative credit worthiness of the individual. It is not related to the fair lending laws nor a financial institution's compliance with those laws across a broad band of customers. In other words, Zoffel et al. only collect data regarding a **single** customer to generate that customer's credit report while the present invention, as claimed, collects data from a wide variety of sources and customers so as to check the financial institution's compliance with the fair lending laws. Since Zoffel et al. teach extracting data to measure the credit worthiness of an individual, and not data related to the fair lending laws, it follows that Zoffel et al. do not teach or suggest extraction of the necessary data to check compliance with the fair lending laws.

Further, in the Examiner's Final Office action, the Examiner proffers a **new argument**, attempting to assert obviousness on a theory of intended use. The Examiner cites case law apparently drawn to the intended use of a claimed structure, as well as case law discussing the intended use of a claimed process of making, wherein the intended use of the process of making must result in a manipulative difference over the prior art. The Examiner has apparently alleged that the claimed systems and methods are similar to Zoffel et al. such that even if Zoffel et al. and the present invention obtain different results, then the rejection is still valid. This is a mere conclusion without support in the record. If Zoffel et al. cannot produce reports pertaining to conformance with a regulation, then Zoffel et al. cannot be similar enough to the claimed invention to support the rejection.

Zoffel et al. Do Not Teach or Suggest Reformatting Data

The Examiner alleges that Zoffel et al. teach or suggest the reformatting of data in col. 18, lines 48-61. It is respectfully submitted that Zoffel et al. teach the reformatting of data for a report for the credit report requester. This is separate and distinct from reformatting data that is processed

further. The distinction is that the Zoffel et al. process is completed when data is reformatted for the report, whereas the present invention, as claimed, reformats the data in the middle of the process before it is placed into a report. For at least this reason it is respectfully asserted that the claims are allowable over the asserted prior art.

Zoffel et al. Do Not Teach or Suggest Integrating New, Normalized

Data with Stored, Normalized Data

The Examiner asserts Zoffel et al. teach the claimed limitation pertaining to “integrating” in the abstract by stating “the central processing facility eliminates duplicated data, selects the best data if there are conflicts; and merges the remaining data into a single report.” It is respectfully submitted that Zoffel et al. merge recently retrieved data, not stored data, with newly acquired data. See col. 5, lines 40-50.

Zoffel et al. do not merge stored data because Zoffel et al. are interested in providing a credit report. People’s credit changes over time. Thus, if a customer makes the last car payment in May, that customer’s credit rating will increase in June. There is therefore no need to merge the fact that the customer has made a car payment in May when the creditor is interested in the credit worthiness of the customer in June and beyond. Since Zoffel et al. do not teach or suggest the integration of new data with stored data, reversal of this rejection is respectfully requested.

Zoffel et al. Do Not Prepare Reports on a Periodic Basis

The claims require that reports be prepared on a periodic basis. Zoffel et al. do prepare credit reports as asserted by the Examiner. These reports, however, are typically only generated when requests for them are made. For example, a credit report is typically generated when a

customer obtains a loan to purchase an automobile. As this customer will not rationally buy a car on a periodic basis, it follows that a credit report on this customer may not be needed for some period of time. This type of credit reporting is demand based and not periodic as asserted by the Examiner. The Examiner has cited the dictionary for a definition of the word periodic. While extrinsic evidence of this nature is one source of claim language interpretation, the primary source is the specification. The specification defines periodic in terms of known and definite periods of time e.g., monthly and yearly, not as sporadic requests by a party. Since the present invention, as claimed, generates reports on a periodic basis, which are used to determine a financial institution's compliance with the fair lending laws, and Zoffel et al. describe a system for generating credit reports on individuals on a demand basis, it follows that Zoffel et al. do not teach nor suggest the amended claims. For at least this reason, withdrawal of the rejection is respectfully requested.

Similarly, it also follows that, since Zoffel et al. do not teach or suggest producing reports on a regular basis, it follows that Zoffel et al. does not produce reports on a monthly basis.

Zoffel et al. Does Not Transmit Reports to Regulators

The Examiner alleges that Zoffel et al. teach "transmitting said reports" in column 3, lines 31-32. While it is true that Zoffel et al. do teach the transmission of reports, Zoffel et al. fail to teach the destination of those transmissions. This point becomes even more important when it is realized that Zoffel et al. generate credit reports based on individual customers. With this established, the question is what do regulators want with individual credit reports? Since regulators are not interested in individual credit reports, it follows that Zoffel et al. do not teach or suggest transmitting reports pertaining to federal regulations to regulators.

CFI Does Not Explicitly Teach Normalization of Data

The Examiner alleges that CFI teaches “reporting and analysis” of data. Zoffel et al. generate credit reports as noted above. Zoffel et al. also analyze data, in some form, in that they eliminate duplicated data. Since the Examiner does not believe that Zoffel et al. teach or suggest normalization, yet Zoffel et al. do teach “reporting and analysis,” it follows that simply having a reference that teaches “reporting and analysis” cannot be an indication that Zoffel et al. teach or suggest normalization. For at least this reason, Applicant asserts that CFI does not necessarily contain a teaching of normalization of data.

In response to the Examiner’s First Office action, Applicant requested that a reference be provided that shows normalization to occur in all systems that “report and analyze” data pursuant to MPEP § 2144.03. The Examiner failed to provide such a reference in the Final Office action, instead choosing to reiterate that “Official Notice” is taken with respect to this limitation. Since the Examiner has not properly responded to the outstanding request for a reference, the Examiner’s rejection should be reversed.

Prince Does Not Teach or Suggest Normalization of Data

The Examiner reiterates in the final Office action that since Prince teaches “using sophisticated statistical analysis” that Prince is therefore “likely [to] incorporate normalization techniques.” It was respectfully requested after receipt of the first Office action that the Examiner provide some evidence that Prince does indeed incorporate normalization techniques pursuant to MPEP § 2144.03. The Examiner failed to provide such a reference.

The Motivation to Combine Zoffel et al., CFI and Prince is Improper

Assuming *arguendo* that CFI and/or Prince teach normalization techniques, the Examiner has failed to show the needed motivation to add normalization to Zoffel et al. In other words, in order to add normalization to Zoffel et al., there is the implication that Zoffel et al. fail to teach normalization as set forth by the Examiner. The Examiner fails to provide any evidence in the Zoffel et al. reference that leads one to the conclusion Zoffel et al. receives non-normalized data and must therefore go through a normalization process. It is respectfully submitted that the Examiner is merely speculating that Zoffel et al. receive non-normalized data and must therefore perform that step. It is respectfully requested that evidence be provided that show a need in Zoffel et al. for normalization or that the rejection be reversed.

In addition, the Examiner asserts that it would have been obvious to combine the credit reporting reference (Zoffel et al.) with two fair lending references (CFI and Prince). These two sets of references are solving different problems. It is respectfully submitted that combining these references as the Examiner sets forth destroys the individual credit reporting feature of the Zoffel et al. reference. Since the purpose of the Zoffel et al. reference is specifically designed to provide individual credit reports, the Examiner's proposed combination would destroy that purpose and thus destroy Zoffel et al. An obviousness rejection cannot destroy a reference. MPEP § 2143.01 *citing In re Gordon*, 733 F.2d 900, 221 USPQ 1125 (Fed. Cir. 1984) ("if a proposed modification would render the prior art invention being modified unsatisfactorily for its intended purpose, then there is no suggestion or motivation to make the proposed modification"). Since, it is submitted, the rejection requires the destruction of the Zoffel et al. reference, it follows that the Examiner's rejection is improper and it is respectfully requested that the Examiner withdraw the rejection.

In addition, the Examiner's motivation to combine Zoffel et al. with CFI and Prince rests on impermissible hindsight. The Examiner asserts that it would have been obvious to one of ordinary skill in the art to combine the references because "both references [CFI and Prince] teach reporting financial regulatory information and would be applied just as easily to one type of information, like fair lending laws information, as another, such as credit report information with similar benefits." First, the Examiner fails to cite to any reference that supports this conclusion. Without a citation to some reference, the Examiner is merely speculating about how the various references might be combined and such speculation is not enough to support an obviousness rejection. *In re Dembiczak*, 175 F.3d 994, 999 and 1000, 50 U.S.P.Q.2d 1614, 1617 (Fed. Cir. 1999) ("Broad conclusory statements regarding the teaching of multiple references, standing alone, are not "evidence"; "In addition to demonstrating the propriety of an obviousness analysis, particular factual findings regarding the suggestion, teaching, or motivation to combine serve a number of important purposes").

It is further respectfully submitted that the end result of generating reports is not enough to demonstrate equivalence. First, both processes receive different types of data. Individual credit reports receive data about an individual's income and expenses with a view towards generating a score that places this individual on a range measuring credit riskiness. Fair lending law reports receive data from a plurality of branches of a financial institution, which may include data from a great number of customers, and compile it with a view to comparing that data with the current requirements of the fair lending laws. Since both types of reports require different types of data and both types of reports produce different types of outputs, albeit in a report format, then it follows that the generating of both types of reports results in the conclusion that these systems/processes are not equivalent and not obvious in view of one another. Since the Examiner has not demonstrated how

these processes are equivalent, it follows that the Examiner's rejection cannot stand, and it is respectfully requested that the Examiner be reversed. *See* MPEP § 2144.07.

Zoffel et al. Does Not Teach Feeds From A Plurality of Business Units

The Examiner alleges that Zoffel et al. teach retrieving data from a plurality of business units. The Examiner then equates several credit repositories (TRW, CBI and Trans Union) with business units. This equivalence is unfounded. A plurality of financial institutions use the credit repositories to generate individual credit reports. It is submitted that these repositories are not business units within a single financial institution. It is respectfully requested that the Examiner be reversed because he has failed to provide a reference that shows the various credit repositories being business units within a financial institution where the data within those repositories is used to generate reports pertaining to fair lending law compliance.

Zoffel et al. Do Not Expressly Teach or Suggest Standardizing

The Examiner asserts that Zoffel et al. teach standardizing in column 18, lines 48-61. It is submitted that this citation by the Examiner only discloses a merging of data onto a report. It is further submitted that the reference fails to demonstrate that the various credit repositories send information in different formats such that standardization is required. It is therefore respectfully requested that the Examiner's rejection be reversed.

Zoffel et al. Store the Reports, Not the Data Used to Generate the Reports

In column 6, lines 14-15, Zoffel et al. disclose "maintaining an orderly filing system for the merged reports." The merged report is the final product. It is respectfully submitted that Zoffel et

al. fail to disclose saving the intermediate data used to obtain the final merged report. Since Zoffel et al. have no need to store the intermediate reports, it follows that Zoffel et al. do not contain this limitation.

B) Claims 1-10 are directed to Statutory Subject Matter in Accordance with 35 U.S.C. § 101

Claims 1-10 Are directed To Statutory Subject Matter

First the Examiner asserts that claims 1-10 do not “have a practical application within the technological arts.” The last phrase of claim 1 recites “preparing reports.” This report is a useful tool a financial institution’s reporting its compliance with federal regulations. The issuance of loans in compliance with federal regulations is of extreme interest to financial institutions so as to avoid paying fines. This method of avoiding the payments of fines is a business method and therefore patentable. *State Street Bank & Trust v. Signature Financial Group*, 149 F.3d 1368 (Fed. Cir. 1998).

The Examiner also state that he cannot tell whether the claims are “accomplished by some sort of computing device or by pencil and paper.” Applicants are unaware of any test for patentability based on the comparison of using a computer vs. a pencil and paper. This appears to be a mere conclusion that is not supported by the current state of the law.

Conclusion

For all of the above reasons, it is respectfully submitted that the claims are patentable subject matter and patentably distinguishable from the prior art of record. Accordingly, Applicants respectfully request that the Board of Appeals Reverse the Examiner's rejection and that the case be subsequently passed to issue.

Respectfully submitted,

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Date: 1/14/2008

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APPENDIX OF CLAIMS

1. A method for storing and compiling data for analysis and reporting regarding a financial institution's compliance with fair lending laws, said method comprising:

extracting data relative to the fair lending laws from a plurality of sources;

reformatting said data into formatted data;

normalizing said formatted data into normalized data;

storing the normalized data in a repository;

determining if the normalized data differs from previously stored, normalized data;

integrating said stored, normalized data with previously stored, normalized data into integrated data if the stored, normalized data differs from the previously stored, normalized data; and

preparing reports from any combination of said integrated data and said previously stored, normalized data on a periodic basis to indicate the fair lending compliance of the financial institution.

2. The method according to claim 1, further comprising:

transmitting said reports to at least one regulator of the financial institution.

3. The method according to claim 2, wherein the transmitting of said reports further comprises transmitting the reports on a predetermined date to the at least one regulator.

4. The method according to claim 2, wherein said regulators include the OCC, FRS, FDIC, and OTS.

5. The method according to claim 1, further comprising the step of:

geo-coding the stored, normalized data before integrating the stored, normalized data with

said previously stored, normalized data.
6. The method according to claim 1, wherein the extracting is performed on a regular basis.
7. The method of claim 6, wherein the regular basis is a monthly basis.
8. The method of claim 1, wherein said plurality of sources includes branches of the financial institution.
9. The method according to claim 8, wherein said plurality of sources includes at least one from the group of bankcard processing centers, student loan processing centers, business loan processing centers, and US territorial locations of the financial institution.
10. The method according to claim 1, wherein said reports include reports required by federal regulators under the fair lending laws.
11. An apparatus for performing fair lending compliance data collection and analysis within a financial institution, comprising:

a plurality of feeds, one for each business unit within the financial institution, each of said feeds providing fair lending data in a potentially different format;

standardizing and normalizing means for standardizing and normalizing said data received from said feeds;

a repository for receiving and storing said standardized and normalized data and for storing the standardized and normalized data;

a workstation for outputting compliance reports and analysis using said stored data, wherein said workstation reports fair lending data either on an individual business unit basis or for the whole financial institution.

12. The apparatus of claim 11 wherein said standardizing and normalizing means comprises a mainframe computer.

13. The apparatus of claim 11 wherein said repository comprises a mainframe computer.

14. The apparatus of claim 11 wherein said repository comprises a server on a network.

15. The apparatus of claim 11 wherein said workstation comprises a personal computer.

16. A device for enabling a financial institution to comply with fair lending laws, comprising:

extracting means for extracting data relative to the fair lending laws from a plurality of sources;

reformatting means for reformatting the extracted data into a standard format so as to form reformatted data;

normalizing means for normalizing said reformatted data into normalized data;

storing means for storing the normalized data in a repository;

integrating means for integrating the stored, normalized data with previously stored, normalized data so as to form integrated data;

preparing means for preparing reports from portions of the integrated data on a periodic basis to indicate the fair lending compliance of the financial institution.

17. The device according to claim 16, further comprising transmitting means for transmitting said reports prepared by said integrating means to regulators of the financial institution.

18. The device according to claim 17, wherein said regulators include at least one from the group of OCC, FRS, FDIC and OTS.

19. The device according to claim 16, further comprising geo-coding means for geo-coding said stored, normalized data before integrating the stored, normalized data with the previously stored, normalized data.

20. The device according to claim 16, wherein said reports include an indication of CRA and HMDA compliance based on each individual business unit and an indication of CRA and HMDA compliance based on the entire financial institution.

21. The device according to claim 16, further comprising interacting means for interacting with the stored, normalized and previously stored, normalized data in the storage means to enable determination of trend analysis of the extracted data.

22. The device according to claim 16, further comprising:

backing up means for backing up the stored, normalized data and previously stored, normalized data stored in said storing means;

archiving means for archiving the stored, normalized data and the previously stored, normalized data stored in said storing means; and

purging means for purging select portions of the stored, normalized data and the previously stored, normalized data stored in said storing means.